

## **Beef: Building Markets, Ensuring Health**

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Thank you, I appreciate the warm welcome. It's good to be home—to see so many friendly and familiar faces. I always look forward to coming back to South Dakota, and I've been looking forward to spending time with SDCA.

I've been in my new position at USDA for four months now, and I think I've just about come to the end of the beginning. I'm completing that “walking the fields” phase of getting to know the lay of the land, when you've bought or rented a new quarter section.

I still have a lot to learn, of course, but this is an exciting time to be serving American agriculture. We're moving closer to a new farm bill. We're working hard to re-open and expand international markets for beef. We're building the National Animal Identification System.

We're addressing a wide variety of issues that make a difference in the lives of livestock producers and all who live in rural communities. I want to talk about a number of those things with you today, and then we'll have time for your questions at the end.

### **Trade**

First, let's talk about trade. Dr. Chuck Lambert, one of my deputies, is spending most of his time on the road—or perhaps I should say in the air—seeking to increase market access for U.S. products, particularly beef.

Earlier this month, Colombia and Peru lifted their BSE-related bans on U.S. beef imports. That restores two-thirds of the market access for U.S. beef and beef products in South America.

In addition, we are continuing to tussle with South Korea on reducing beef trade barriers. We still have further to go to get tolerance levels established for bone chips and cartilage, but Dr. Lambert is visiting Seoul to continue discussions on these issues.

And just last week, President Bush and Russian President Vladimir Putin signed a bi-lateral trade agreement that re-opens the Russian market to U.S. beef imports for boneless beef, bone-in beef and beef variety meats from cattle under 30 months of age. Shipments can begin once Russian officials audit U.S. slaughter facilities that want to send beef to Russia. In 2003, Russia was the fifth largest customer for U.S. beef.

As you all know, we're still working to recover markets lost in 2003—markets that for the first three quarters of 2005 were more than \$1.2 billion BELOW the same period in 2003. We'll probably increase our sales of beef abroad this year by at least 50 percent from what we sold in 2005, but the total value of exported beef and variety meats will still be only half the value of our sales in 2003.

We are seeking to ensure that requirements that our trading partners impose on imports of beef and beef products are based on sound science. That, of course, means we need to play by the same rules when it comes to our own imports.

I know that some folks have complained about the quality of beef coming across the border from Canada and the effect it's having on prices here. But we need to recognize Canada's value as a trading partner and ensure that any trade restrictions we maintain are based on sound science as well.

## **COOL**

Let me touch briefly on Country of Origin Labeling. As you know, COOL was mandated by the 2002 farm bill and became effective for fish and shellfish in April 2005. Congress has delayed it for other commodities until September 30, 2008.

At this point, we're reviewing the experience we've had thus far with fish and shellfish to see what will also apply to beef. This past Monday, November 27th, the Agricultural Marketing Service published a notice in the *Federal Register* seeking comments on the implementation of COOL for fish and shellfish. We're especially interested in actual versus expected cost-benefit ratios. We'll use that information as we prepare to implement COOL for other commodities and livestock as directed by the statute.

I know there are mixed views about COOL in South Dakota—in fact, within SDCA, among various livestock industry groups and throughout the country. It's been controversial. But regardless of where you stand, I want you to know that our goal is to implement these requirements in a fair and balanced manner with least possible cost and lowest possible burden to everyone in production chain.

### **BSE Surveillance**

Let's look for a moment at BSE. As you know, we are transitioning to a new BSE surveillance program in keeping with the very, very low level of risk in the U.S. that we found during the two years we conducted enhanced surveillance.

The findings confirmed what we already knew: that the incidence of BSE among our herds is extremely low—less than 1 per million adult cattle. Commensurate with the very low risk, under the new program, we will sample 40,000 each year—in a variety of sites, focusing on populations where BSE is most likely to occur. That's similar to the strategy we used for the enhanced surveillance program.

The new program will maintain our ability to detect BSE and assure that U.S. beef is safe. We'll continue to exceed science-based international guidelines—by testing 10 times more cattle than OIE recommends.

On imports from Canada, we'll continue to follow the Minimal-Risk rule, which permits importation of feeder and slaughter cattle under 30 months of age and also beef products from cattle this age because the risk is very low. We're still considering a proposal to allow importation of cattle over 30 months of age.

In any case, it's important to remember that what protects animal and human health is our system of interlocking safeguards.

### **Livestock Mandatory Reporting**

I want to turn now to livestock mandatory price reporting. Two months ago, on October 5, President Bush signed a bill extending the Livestock Mandatory Reporting Act until September 30, 2010. As you know, the previous legislation expired in September 2005; however, most reports continued on voluntary basis, except boxed lamb cuts and slaughter cow reports.

Currently, the Agricultural Marketing Service is developing new rules to re-establish the regulatory authority for the new statute. This is top priority, and AMS will be working quickly.

### **National Animal Identification System**

Let's focus for a few minutes on a topic I know is of great interest to you all—the voluntary National Animal Identification System, or NAIS for short.

Secretary Johanns has made it clear that NAIS is and will remain one of his top priorities. At USDA, we recognize that identification of animals in the production chain is a critical tool in safeguarding our nation's herds and flocks from disease.

NAIS is a voluntary system designed to protect animal health, protect producers' businesses, protect access to markets and protect neighbors who share the rural landscape. Of course, protection begins with the first step, premises registration. It's simple, and it's free.

Many people have worked hard and long to lay the foundation for the voluntary National Animal Identification System. From the beginning, our goal has been to create a practical system focused on animal health. We wanted a system that built on the work that states and industry organizations have already done and the partnerships and working relationships now in place.

NAIS meets the need for a modern system that can enable us to respond within 48 hours when a disease outbreak occurs that will work effectively for producers and all those in the livestock production chain.

Animal identification is a complex process that starts at the grassroots, in the communities, with each and every one of you. The message I bring here today—and I say this without hesitation—is that we need you in this effort.

### **Need for NAIS**

We all know that the threat of an outbreak in the United States is real. Everyone can take appropriate steps to protect their animals, but some risk remains.

We're all working to make sure that disease outbreak never arrives, and we never have to put this system to full implementation. However, it's impossible to

completely eliminate the threat or predict when an outbreak will occur, where it will hit or how severe it will be.

That's why it's so important to establish a modern, effective system to conduct rapid traceouts and tracebacks when an outbreak occurs—ultimately within 48 hours. Delays lead to losses—lost livestock, lost markets and lost income. NAIS will reduce those delays, cut losses and help retain markets.

Responding rapidly, containing the problem and eradicating disease also reduces unnecessary loss of animals, the loss of labor, and the loss of irreplaceable breeding stock and bloodlines. It also prevents economic harm to our neighbors.

### Where We Stand

NAIS offers great promise, but only if producers choose to participate. And the first step is getting premises registered so farmers and ranchers can benefit when we have information to share.

Secretary Johanns has set some challenging goals for NAIS—including getting 25 percent of premises registered by the end of January 2007. Today, we have more than 332,000 registered—out of 1.4 to 2.1 million premises. That takes us close to the first goal.

But the ultimate goal—having a critical mass of producers on board by the end of January 2009—will be much more challenging. And that's our priority for the next year.

### Premises Registration

As you know, NAIS includes three components—premises registration, animal identification and animal tracking or tracing. Farmers and ranchers can participate in one, two or three components. This is a voluntary system, and it's strictly up to them.

Right now we're putting the finishing touches on the structure so that the state and private databases where identification and tracing data will be stored can work seamlessly with the federal system. But the key to NAIS is the first component—premises registration, which costs the producer nothing.

So, we're looking to convince you—and have you convince your neighbors—to take the first step and register your premises. For NAIS to work, we need to get everyone on board. Farmers and ranchers have to see how the system will work to help them manage and market their animals.

### Changes in NAIS

I know we have a sales job to do. I know we in USDA have to earn your trust.

We've made some changes in NAIS—and that's left some folks confused and unsure. But the truth is we've made those changes in response to feedback we've received from farmers, ranchers and our partners in the states and industry organizations. And let me say that we've been very impressed with the forward thinking and progressive attitude about NAIS among several producer groups.

We've been listening and making course corrections in line with what we've heard. Our objective is protecting animal health. We have the healthiest livestock in the world—and we want to safeguard our animals.

Producers also want to help protect their neighbors. A modern disease response system will also enable us to maintain consumer confidence and competitiveness. It will help keep markets open here at home and abroad.

### Voluntary Approach

We've made it clear—and I can't stress this too often or too much—that NAIS is a voluntary system. Not a currently voluntary, then maybe a mandatory system. That's a voluntary system at the federal level, with a capital "V."

Of course, individual states may choose to require participation based on local needs. And I understand that South Dakota is talking about requiring mandatory identification for breeding stock. That's up to you.

But from a federal perspective, NAIS is voluntary. It is designed, pure and simple, to protect animal health, to protect consumer confidence, to protect domestic and world markets, and most of all—to protect producer economic investment and income.

Participating is a business decision. It's the producer's business, and the producer's decision.

We also want to make clear that farmers and ranchers have a choice about the extent of their participation. They can choose to simply register their premises and stop there. Registering your premises today does not commit you to participating in the tagging or tracing phases of NAIS down the road.

There have been far too many myths, half-truths and misconceptions circulating about NAIS. I hope we can lay them to rest. This is a voluntary program centered on animal health.

At the same time, I think there's a strong case to be made for participation. Wise producers will make wise choices. That means identifying your premises so when there's a problem we can get you the information you need.

It also means registering your premises to be a good neighbor and help protect nearby farmers and ranchers. Hardships associated with an animal disease outbreak are often felt far and wide. The faster we can respond to disease, the faster we can isolate an outbreak, the sooner life gets back to normal for everybody.

The bottom line is simply: Register to Protect: Your Animals. Your Livelihood. Your Future.

Some day, not too far in the future, major food manufacturers, retailers and restaurants—as well as individual consumers—will insist on products from animals whose history can be traced. As you know, already Canada and Australia are aggressively marketing their identification capabilities.

The EU uses a passport for animals and requires traceability. We'll have a different system. Ultimately, the market here will drive animal ID. But the ID system has to work for us here in the U.S.

### Confidentiality

Another concern we've heard is confidentiality. We've had producers ask:

- Are you going to track my animals on my farm?
- Are you going to give out my private business information in response to Freedom of Information requests?

- Will other federal agencies have access to information about my operation?

The answer to all these questions—and many more we have received—is NO. We have specifically built safeguards into NAIS to ensure that private business information is safeguarded.

Animal identification and tracing information will be kept in state and private databases, not with USDA. It will only be accessed when there's a need to trace animals in a disease outbreak situation.

Secretary Johanns has said repeatedly that USDA will protect farmers and ranchers' private information. We take our responsibility for confidentiality seriously. We will not betray the trust that farmers and ranchers place in us through NAIS. That trust goes to the core of the development of NAIS as a true partnership.

### Costs

There's also been some concern about costs for NAIS. As I said, the first step—premises registration—is free.

But for those who choose to participate in the second phase—animal identification—there are costs involved. Our goal is to keep those as low as possible by encouraging a wide variety of options for tags.

As you know, we have four tags from two companies approved for cattle. As more industry working groups develop recommendations for their species, we expect more companies to develop products to meet those requirements.

We will also do everything we can to keep costs for animal tracing as low as possible. Even though there may be some costs involved, the payoff will come as the market begins to pay a premium for animals whose history is known.

### More Details on NAIS

For folks who want more information, we have details on all three phases of NAIS—premises registration, animal identification and tracing on our new website: [www.usda.gov/nais](http://www.usda.gov/nais). Just last week, we published on the website a draft a comprehensive user guide on NAIS for public comment.



As I said at the beginning, this is an exciting time to be serving American agriculture. I'm humbled and honored to be working on your behalf in Washington to develop and implement agricultural policies that will make a difference in your lives and in the lives of farm and ranch families across the country.